

BRIGHTON AREA

FIRE AUTHORITY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

BRIGHTON AREA FIRE AUTHORITY

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October 27, 2008

Board of Trustees
Brighton Area Fire Authority
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INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the Brighton Area Fire Authority as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brighton Area Fire Authority, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 6 through 9 and pages 28 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brighton Area Fire Authority's basic financial statements. The supplementary information presented for purposes of additional analysis is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis June 30, 2008

Within this section of the Brighton Area Fire Authority's annual financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2008. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The Authority's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

Both government-wide financial statements distinguish governmental activities of the Authority that are intended to recover all or a significant portion of their costs through user fees and charges or by taxes collected. The Authority's financial reporting includes all the funds of the Authority and, additionally, organizations for which the Authority is accountable.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Authority uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Authority has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Financial Analysis of the Authority as a Whole

The Authority's net assets at the end of the fiscal year were \$5,671,818. This is a \$1,282,011 increase over last year's net assets of \$4,389,807.

The following tables provide a summary of the Authority's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities	
	6/30/2008	6/30/2007
Current and other assets	\$ 3,806,316	\$ 3,228,785
Capital assets	2,055,128	1,374,522
Total assets	5,861,444	4,603,307
Accounts payable	38,244	78,759
Accrued expenses	151,382	134,741
Total liabilities	189,626	213,500
Net assets:		
Invested in capital assets	2,055,128	1,374,522
Unrestricted	3,616,690	3,015,285
Total net assets	\$ 5,671,818	\$ 4,389,807

Summary of Changes in Net Assets

	Governmental Activities	
	6/30/2008	6/30/2007
Revenues:		
Program revenues		
Charges for services	\$ 26,999	\$ 9,324
Operating grants and contributions	2,095	8,632
General revenues		
Property taxes	3,346,156	3,206,655
Other	95,082	102,428
Total revenues	3,470,332	3,327,039
Expenses for fire protection	2,188,321	2,296,423
Increase in net assets	1,282,011	1,030,616
Beginning net assets	4,389,807	3,359,191
Ending net assets	\$ 5,671,818	\$ 4,389,807

Changes in Financial Status

The increase in net assets of \$1,282,011 in the current year was mostly due to increased property taxes. The increase was essential for the Brighton Area Fire Authority to fund future capital improvements and staffing needs.

Financial Analysis of the Authority's Funds

The Authority's General Fund had revenues over expenditures from current year operations totaling \$1,485,085 to add to its fund balance. Of this amount \$915,000 was transferred to fund capital outlay purchases and anticipated personnel expenditures. Significant capital outlay was purchased this year totaling \$946,464 (of which \$900,554 was capitalized) from the capital reserve equipment fund. The Authority purchases all capital outlay from the capital reserve fund.

General Fund Budgetary Highlights

The original General Fund budget adopted by the Authority was created prior to the beginning of the fiscal year outlining the Authority's anticipated financial operations. Small amendments were required from the originally adopted budget to reflect economic reality, and to increase transfers to fund future capital improvements. Expenditures exceeded the budget in two activities, but was under the total budget by \$335,604.

Capital Asset and Debt Administration

The Authority acquired \$900,554 of new assets. That total included the following items:

	<u>Cost</u>
Station equipment	\$ 28,600
Rescue vehicles	850,924
Vehicle	<u>21,030</u>
	<u>\$ 900,554</u>

The Authority disposed of no equipment during the year.

For the year ended June 30, 2008 there was no debt either acquired or extinguished.

Economic Conditions and Future Activities

Future operations and capital outlay purchases will be funded primarily by property taxes collected. This amount is expected to remain approximately the same as the prior year due to the stagnate growth and slow down in the economy.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Brighton Area Fire Authority.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT - WIDE
FINANCIAL
STATEMENTS

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,758,600
Accounts receivable	47,716
Capital assets - net of depreciation	<u>2,055,128</u>
Total assets	<u>5,861,444</u>
LIABILITIES	
Accounts payable	38,244
Accrued expenses	<u>151,382</u>
Total liabilities	<u>189,626</u>
NET ASSETS	
Investment in capital assets	2,055,128
Unrestricted	<u>3,616,690</u>
Total net assets	<u><u>\$ 5,671,818</u></u>

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

		Program Revenue		Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets
GOVERNMENTAL ACTIVITIES				
Fire protection services	<u>\$ (2,188,321)</u>	<u>\$ 26,999</u>	<u>\$ 2,095</u>	<u>\$ (2,159,227)</u>
General Revenues:				
				3,346,156
Property taxes, levied for general purpose				88,627
Investment income				6,455
Other revenues				
				<u>3,441,238</u>
Total general revenues				
				1,282,011
Change in net assets				
				<u>4,389,807</u>
Net assets, July 1, 2007				
				<u>\$ 5,671,818</u>
Net assets, June 30, 2008				

The notes are an integral part of the financial statements.

FUND
FINANCIAL
STATEMENTS

BRIGHTON AREA FIRE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	Major Funds		Non-major Fund	
	General	Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents	\$ 2,262,612	\$ 1,412,437	\$ 83,551	\$ 3,758,600
Accounts receivable	10,382	34,445		44,827
Due from other funds	2,789	100		2,889
Total assets	<u>\$ 2,275,783</u>	<u>\$ 1,446,982</u>	<u>\$ 83,551</u>	<u>\$ 3,806,316</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 36,669	\$	\$	\$ 36,669
Accrued wages	70,135			70,135
Accrued vacation and sick	54,479			54,479
Accrued pension and withholding	26,768			26,768
Due to others	1,575			1,575
Total liabilities	<u>189,626</u>			<u>189,626</u>
FUND BALANCES				
Unreserved	2,086,157			2,086,157
Designated		1,446,982	83,551	1,530,533
Total fund balances	<u>2,086,157</u>	<u>1,446,982</u>	<u>83,551</u>	<u>3,616,690</u>
Total liabilities and fund balances	<u>\$ 2,275,783</u>	<u>\$ 1,446,982</u>	<u>\$ 83,551</u>	<u>\$ 3,806,316</u>

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Fund balance - governmental funds	\$ 3,616,690
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Capital assets used in governmental activities are not
current financial resources and therefore are not
reported in the balance sheet

Historical cost	\$ 4,644,116
Accumulated depreciation	<u>(2,588,988)</u>

Net book value of capital assets	<u>2,055,128</u>
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Net assets of governmental activities	<u>\$ 5,671,818</u>
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The notes are an integral part of the financial statements.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Major Funds		Other Non-major Fund	
	General Fund	Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
REVENUES				
Taxes	\$ 3,346,156	\$	\$	\$ 3,346,156
Cost recovery		26,999		26,999
Grant	2,095			2,095
Interest	52,842	33,924	1,861	88,627
Miscellaneous	6,455			6,455
Total revenues	<u>3,407,548</u>	<u>60,923</u>	<u>1,861</u>	<u>3,470,332</u>
EXPENDITURES				
Current:				
Personnel	1,318,629			1,318,629
Contracted services	44,055			44,055
General fire protection	559,779			559,779
Capital outlay:				
Fire protection		946,464		946,464
Total expenditures	<u>1,922,463</u>	<u>946,464</u>		<u>2,868,927</u>
Excess of revenues over (under) expenditures	<u>1,485,085</u>	<u>(885,541)</u>	<u>1,861</u>	<u>601,405</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		900,000	15,000	915,000
Transfers (out)	<u>(915,000)</u>			<u>(915,000)</u>
Total other financing sources (uses)	<u>(915,000)</u>	<u>900,000</u>	<u>15,000</u>	
Net changes in fund balances	570,085	14,459	16,861	601,405
FUND BALANCE, JULY 1, 2007	<u>1,516,072</u>	<u>1,432,523</u>	<u>66,690</u>	<u>3,015,285</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 2,086,157</u>	<u>\$ 1,446,982</u>	<u>\$ 83,551</u>	<u>\$ 3,616,690</u>

Amounts reported for governmental activities in the Statement of Activities are different due to: Net changes in fund balances

\$ 601,405

The acquisition of capital assets are reported in the governmental funds as
However for governmental activities those costs are shown as capital assets in the Statement of Net Assets and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital asset purchases exceeded depreciation expense in the current period:

Capital asset acquisitions	\$ 900,554
Depreciation expense	<u>(219,948)</u>

Total	<u>680,606</u>
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Change in net assets of governmental activities

\$ 1,282,011

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

Private-
Purpose
Trust Fund

<u>ASSETS</u>		
ASSETS		
Cash and cash equivalents		<u>\$ 45,287</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Due to other funds		\$ 2,889
NET ASSETS		<u>42,398</u>
Total liabilities and net assets		<u>\$ 45,287</u>

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Private- Purpose Trust Fund</u>
ADDITIONS	
Public contributions	\$ 38,535
DEDUCTIONS	
Public safety	<u>22,775</u>
Net change in net assets	15,760
NET ASSETS, JULY 1, 2007	<u>26,638</u>
NET ASSETS, JUNE 30, 2008	<u><u>\$ 42,398</u></u>

The notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

BRIGHTON AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Brighton Area Fire Authority was organized under Public Act No. 57, of the Public Acts of 1988, as amended. The Brighton Area Fire Authority Board is appointed by each municipality. The Genoa Township, City of Brighton, and Brighton Township boards each appoint two members to the Brighton Area Fire Authority Board. One final member is selected by these six appointed members. The Authority was created as a joint venture by its members on May 4, 2000 to provide fire protection.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 39 "The Financial Reporting Entity", these financial statements present all activities of the Authority. There are no component units of the Authority using the criteria established by the GASB for determining the reporting entity.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Authority as a whole. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Net Assets reports all financial and capital resources of the Authority. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Reserve Equipment Fund accounts for the activity associated with the acquisition of capital assets. This fund is supported by the General Fund and cost recovery revenues.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund and fiduciary financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America is formally adopted for the General Fund and all Special Revenue funds. The budget can be amended by approval from the Authority's Board. If necessary, budget amendments can be presented to the Board at the regular meetings. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end.

G. RISK MANAGEMENT

The Authority is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage.

H. ACCRUED COMPENSATED ABSENCES

The Authority has recorded a liability for compensated absences of the fire department. The policies regarding compensated absences are outlined in the Authority's "Rules of Employment".

I. PROPERTY TAXES

The Authority's property taxes are levied and become a lien on December 1st based on the taxable valuation of property located in the Authority as of the preceding December 31st. These taxes are due on February 14th, with the final collection date of February 28th before they are added to the county delinquent tax rolls.

For the year ended June 30, 2008, the Authority recognized the property taxes levied December 1, 2007 as revenue. Total taxable value was \$2,673,340,762 and the millage rate was set at 1.25.

J. OTHER FINANCING SOURCES (USES)

The transfer of cash between the various funds are budgeted but reported separate from revenues and expenditures as transfers in or (out) unless they represent temporary advances that are to be repaid, in which case they are carried as assets or liabilities of the advancing or borrowing fund.

The Authority's General Fund made transfers to fund the activities in the Capital Reserve Equipment Fund and Compensated Absences Reserve Fund. The General Fund transferred \$900,000 to the Capital Reserve Equipment Fund, and \$15,000 to the Compensated Absences Fund during the year. The purpose of the transfers was to save for future capital replacements, and to set aside monies for future retirees' accumulated sick and vacation time.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

K. INTERFUND BALANCES

As of June 30, 2008 the following were outstanding balances between funds:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Trust Fund	General Fund	\$ 2,789	Interest and miscellaneous charges
Trust Fund	Capital Reserve	\$ 100	Deposit correction

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balances 7/1/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 6/30/2008</u>
Office equipment	\$ 111,853	\$	\$	\$ 111,853
Operating equipment	496,424	28,600		525,024
Leasehold improvements	20,492			20,492
Transportation equipment	<u>3,114,793</u>	<u>21,030</u>		<u>3,135,823</u>
Sub-total	3,743,562	49,630		3,793,192
Deposit on two pumpers under construction		<u>850,924</u>		<u>850,924</u>
	3,743,562	900,554		4,644,116
Depreciation	<u>(2,369,040)</u>	<u>(219,948)</u>		<u>(2,588,988)</u>
Net capital assets	<u>\$ 1,374,522</u>	<u>\$ 680,606</u>	<u>\$</u>	<u>\$ 2,055,128</u>

Depreciation expense is being recorded solely for fire protection services. The Authority utilizes the straight line method to depreciate capital assets over their estimated useful lives. No debt is associated with the capital assets.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 - DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLANS

The Authority offers its full-time and part-time firefighters a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457.

The Authority also provides defined contribution plans under Internal Revenue Code (IRC) Section 401(a) for the full-time and part-time firefighters. The terms are as follows:

Full-time employees - As of June 30, 2008 there were seven full-time employees participating in the 401(a) defined contribution plan with Security Benefits in which the Authority contributed 5% of base compensation toward the plan. The total contribution for the year was \$18,902.

As of June 30, 2008 there were six full-time employees participating in the 401(a) defined contribution plan with I.C.M.A. in which the Authority contributed 2% of base compensation toward the plan. The total contribution for the year was \$6,071.

There is a separate plan agreement with the fire chief. The chief has been provided with a 457 plan as well as a 401(a) plan. The Authority contributed on behalf of the chief, \$13,500 (agreed upon as part of annual compensation package) into the 401(a) plan which is also with Security Benefits.

Part-time Employees - the Authority contributes to the 401 (a) plan on behalf of each part-time employee only when the employee makes a contribution to his or her 457 plan. The amount the Authority contributes is the lesser of the amount the employee contributed or 5% of gross wages. The contribution for the year ending June 30, 2008 was \$13,155.

NOTE 4 - DEFINED BENEFIT PLAN -

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS)

This plan was grandfathered into the Authority from the City of Brighton and Brighton Township on July 1, 2002. Only current full time employees that transferred over from the aforementioned municipalities are allowed to participate in this plan.

MERS is an agent multiple-employer, state-wide, defined benefit public employee retirement plan created under Public Act 135 of 1945 and now operates under Public Act 220 of 1996. MERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits on a voluntary basis to the State's local government employees. Under Public Act 220, MERS became an independent public non-profit corporation independent from State government. The effective date of independence was August 16, 1996, at which time MERS ceased to be a part of the State of Michigan, Department of Management and Budget.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4 - DEFINED BENEFIT PLAN -
MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS) - continued

At December 31, 2007, the overfunded Actuarial Accrued Liability was \$16,989, determined as follows:

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$ 211,637
Terminated employees not yet receiving benefits	0
Current employees - Accumulated employee contributions including allocated investment income	0
Employer financed	<u>95,965</u>
Total actuarial accrued liability	307,602
Net assets available for benefits at actuarial value	<u>324,591</u>
(Overfunded) actuarial accrued liability	<u><u>\$ (16,989)</u></u>
Fiscal year beginning	July 1, 2009
Annual required contribution (ARC)	\$ 9,732
Amortization factor used - underfunded liabilities (28 years)	.055889
Amortization factor used - underfunded liabilities (25 years)	.060002

Covered and total payrolls for the year ended December 31, 2007 was \$73,659 and \$1,097,091 respectively. As of June 30, 2008 there was one retirant receiving benefit's from the plan, and one active employee enrolled in the plan. Total contributions made to the plan during the year ended June 30, 2008 was \$11,899.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority deposits are in accordance with statutory authority. The Authority maintains petty cash with an imprest amount of \$200.

The Governmental Accounting Standards Board Statement No. 40 risk disclosures for the Authority's deposits are as follows:

<u>Deposits</u>	<u>Governmental Funds</u>	<u>Private-Purpose Trust Fund</u>	<u>Total Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 100,000	\$	\$ 100,000	\$ 100,000
Uninsured and uncollateralized	3,658,400	45,287	3,703,687	3,747,318
	<u>\$ 3,758,400</u>	<u>\$ 45,287</u>	<u>\$ 3,803,687</u>	<u>\$ 3,847,318</u>

The Authority's cash and investments are subject to types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$3,747,318 of bank deposits (checking, and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may negatively affect the fair value of an investment. The Authority's investment policy does not address this risk.

The Authority has a board approved investment policy.

NOTE 6 - FEDERAL GRANT ACTIVITIES

The Authority had received federal grants from the United States Department of Homeland Security. The total amount received during the fiscal year was \$2,095, and is subject to federal grant audit requirements. There has been no federal audit on the funds through the report date of these financial statements.

REQUIRED
SUPPLEMENTARY
INFORMATION

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 3,266,000	\$ 3,311,000	\$ 3,346,156	\$ 35,156
Grant	10,382	10,382	2,095	(8,287)
Interest	40,000	40,000	52,842	12,842
Other income	2,500	2,500	6,455	3,955
Total revenues	3,318,882	3,363,882	3,407,548	43,666
EXPENDITURES				
Personnel	1,606,600	1,359,500	1,318,629	40,871
Professional services	62,000	47,650	44,055	3,595
Insurance	125,000	125,000	116,488	8,512
Equipment and supplies	322,630	332,535	250,069	82,466
Utilities	57,500	49,200	44,228	4,972
Dues and subscriptions	11,170	8,500	9,006	(506)
Physicals and vaccines	30,000	25,000	17,903	7,097
Training and instructions	90,735	59,000	52,212	6,788
Telephone and communications	30,000	27,500	29,455	(1,955)
Vehicle lease	13,397	11,000	9,655	1,345
Buildings	31,250	29,750	18,221	11,529
Emergency funds	15,000	15,000		15,000
Safer grant	11,682	11,682	8,785	2,897
Fire investigation services	6,750	6,750	3,757	2,993
Contingency	150,000	150,000		150,000
Total expenditures	2,563,714	2,258,067	1,922,463	335,604
Excess of revenues over expenditures	755,168	1,105,815	1,485,085	379,270
OTHER FINANCING (USES)				
Transfers (out)	(740,000)	(915,000)	(915,000)	
Net change in fund balance	15,168	190,815	570,085	379,270
FUND BALANCE, JULY 1, 2007	1,516,072	1,516,072	1,516,072	
FUND BALANCE, JUNE 30, 2008	\$ 1,531,240	\$ 1,706,887	\$ 2,086,157	\$ 379,270

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE EQUIPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Cost recovery	\$ 18,000	\$ 18,000	\$ 26,999	\$ 8,999
Interest	20,000	32,000	33,924	1,924
Grants	362,851	353,137		(353,137)
Total revenues	400,851	403,137	60,923	(342,214)
EXPENDITURES				
Capital outlay	1,727,076	1,715,171	946,464	768,707
Excess of revenues over (under) expenditures	(1,326,225)	(1,312,034)	(885,541)	426,493
OTHER FINANCING SOURCES				
Transfers in	725,000	900,000	900,000	
Net change in fund balance	(601,225)	(412,034)	14,459	426,493
FUND BALANCE, JULY 1, 2007	1,432,523	1,432,523	1,432,523	
FUND BALANCE, JUNE 30, 2008	\$ 831,298	\$ 1,020,489	\$ 1,446,982	\$ 426,493

BRIGHTON AREA FIRE AUTHORITY
SCHEDULE OF PENSION FUNDING PROGRESS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008

In accordance with the Governmental Accounting Standards Board Statements No. 25 and 27, the following information is a required part of the basic financial statements related to the MERS retirement system.

FIRE EMPLOYEES

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) Accrued Liability (UAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
December 31, 2004	\$ 209,216	\$ 254,465	\$ 45,249	82.22%	\$ 323,163	14%
December 31, 2005	\$ 274,034	\$ 353,587	\$ 79,553	77.50%	\$ 290,150	27%
December 31, 2006	\$ 320,869	\$ 358,763	\$ 37,894	89.43%	\$ 110,837	34%
December 31, 2007	\$ 324,591	\$ 307,602	\$ (16,989)	105.50%	\$ 73,659	(23%)

The information was extracted from the Authority's Annual Actuarial Valuation Report for the year December 31, 2007 as issued by (MERS) the Michigan Employee's Retirement System of Michigan.

SUPPLEMENTARY
INFORMATION

BRIGHTON AREA FIRE AUTHORITY
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
JUNE 30, 2008

		Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
	<u>ASSETS</u>			
ASSETS				
Cash		\$ 1,412,437	\$ 83,551	\$ 1,495,988
Accounts receivable		34,445		34,445
Due from other funds		100		100
Total assets		<u>\$ 1,446,982</u>	<u>\$ 83,551</u>	<u>\$ 1,530,533</u>
	<u>FUND BALANCE</u>			
FUND BALANCE		<u>\$ 1,446,982</u>	<u>\$ 83,551</u>	<u>\$ 1,530,533</u>

BRIGHTON AREA FIRE AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDING JUNE 30, 2008

	Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
REVENUES			
Cost recovery	\$ 26,999	\$	\$ 26,999
Interest	33,924	1,861	35,785
Total revenues	60,923	1,861	62,784
EXPENDITURES			
Capital outlay	946,464		946,464
Excess of revenues over (under) expenditures	(885,541)	1,861	(883,680)
OTHER FINANCING SOURCES			
Transfers in	900,000	15,000	915,000
Net change in fund balance	14,459	16,861	31,320
FUND BALANCE, JULY 1, 2007	1,432,523	66,690	1,499,213
FUND BALANCE, JUNE 30, 2008	<u>\$ 1,446,982</u>	<u>\$ 83,551</u>	<u>\$ 1,530,533</u>

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
PERSONNEL			
Wages - Chief	\$ 88,000	\$ 87,758	\$ 242
Wages - Fire Marshall	75,000	73,032	1,968
Wages - Deputy chiefs	75,000	75,891	(891)
Wages - Assistant chiefs	68,000	57,090	10,910
Wages - Captains	18,000	20,167	(2,167)
Wages - Lieutenants	133,500	135,160	(1,660)
Wages - Sergeants	165,000	161,715	3,285
Wages - Firefighters	325,000	313,147	11,853
Contracted services - Jr. Fire Department	2,500		2,500
Wages - inspectors	96,000	94,110	1,890
Wages - Fire board (per diems)	9,000	10,500	(1,500)
Wages - clerical	54,000	51,066	2,934
Wages - compensated absences	9,000	11,819	(2,819)
Wages - severance package	6,500	8,361	(1,861)
Employee benefits	140,000	131,254	8,746
Payroll taxes	95,000	87,559	7,441
Total personnel	<u>1,359,500</u>	<u>1,318,629</u>	<u>40,871</u>
PROFESSIONAL SERVICES			
Accounting and audit	31,650	28,637	3,013
Legal fees	10,000	15,418	(5,418)
Other - human resources	6,000		6,000
Total professional services	<u>47,650</u>	<u>44,055</u>	<u>3,595</u>
INSURANCE	<u>125,000</u>	<u>116,488</u>	<u>8,512</u>
EQUIPMENT AND SUPPLIES			
Equipment rental	6,500	4,772	1,728
Medical supplies	6,000	3,656	2,344
Office supplies	23,000	27,363	(4,363)
Repairs and maintenance	134,750	85,060	49,690
Uniforms and turn-out gear	75,285	42,405	32,880
Computers and records management	45,000	43,712	1,288
Fuel	42,000	43,101	(1,101)
Total equipment and supplies	<u>332,535</u>	<u>250,069</u>	<u>82,466</u>
UTILITIES			
Electricity	15,500	13,974	1,526
Gas	20,000	16,954	3,046
Electric and gas - Dorr Road/Chilson Road	13,700	13,300	400
Total utilities	<u>49,200</u>	<u>44,228</u>	<u>4,972</u>

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - continued
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance Favorable (Unfavorable)
DUES AND SUBSCRIPTIONS			
Hazmat	3,500	3,500	
Memberships	5,000	5,506	(506)
Total dues and subscriptions	8,500	9,006	(506)
PHYSICALS AND VACCINES	25,000	17,903	7,097
SAFER GRANT EXPENDITURES	11,682	8,785	2,897
TRAINING AND INSTRUCTORS			
Training supplies	35,000	32,862	2,138
Recertification costs	3,000	2,420	580
Conferences and public information	21,000	16,930	4,070
Total training and instructors	59,000	52,212	6,788
TELEPHONE AND COMMUNICATIONS	27,500	29,455	(1,955)
VEHICLE - LEASE	11,000	9,655	1,345
BUILDINGS			
Cleaning supplies	5,500	2,517	2,983
Rent	2,250		2,250
Upgrades and maintenance	22,000	15,704	6,296
Total buildings	29,750	18,221	11,529
EMERGENCY FUNDS	15,000		15,000
FIRE INVESTIGATION SERVICES	6,750	3,757	2,993
CONTINGENCY	150,000		150,000
Total expenditures	<u>\$ 2,258,067</u>	<u>\$ 1,922,463</u>	<u>\$ 335,604</u>



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October 27, 2008

Board of Trustees
Brighton Area Fire Authority
615 W. Grand River
Brighton, Michigan 48116

Dear Honorable Board of Trustees:

During our audit of Brighton Area Fire Authority we came across various matters that we would like to discuss with you as part of our audit presentation for the year ending June 30, 2008.

The matters which we would like to discuss with you are as follows:

Auditing standards require us to communicate to you significant deficiencies in your internal controls and accounting procedures.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity or detected by the entity's internal control.

We consider the following to be a material weakness of the Authority.

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles. It should be noted that these journal entries were related to the full-accrual presentation of the government-wide statements (converting fund financial statements to full accrual statements).

We have previously discussed this matter with you and your response was as follows:

Response by Brighton Area Fire Authority Management

We understand that you must follow the aforementioned auditing standard to complete the audit in accordance with Generally Accepted Auditing Standards as applicable to the audit of the Authority. However, we prefer that you as our auditing firm continue to make the applicable journal entries to convert the fund financial statements to full accrual statements as required by GASB 34. We believe the costs to circumvent this comment would outweigh the benefits to the Authority.

The following are other matters we would like to discuss with you:

1. Post Employment Benefits - Health Care and GASB No. 45

The Authority does have a policy which will allow for retirees to receive health care benefits for life if the retiree meets certain criteria. There are no current retirees receiving this benefit.

The Governmental Accounting Standards Board has released Statement No. 45, Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions. This statement gives new guidance to governmental employers in recognizing costs of post-employment benefits such as health care. The statement is effective for the year ending June 30, 2009.

The Authority will be required to record as a liability any under funding of the recommended contribution. The contribution amount will be calculated based on a valuation (actuarial) or approved calculation of the obligation to provide the health care benefits.

We suggest the Authority start preparing itself for this future requirement.

2. Computer and Information Systems Support Agreement

The Authority uses an outside computer support company. We noted the company can access the network from offsite without going through an approval process designated by the Authority. We suggest some type of procedures be set-up in this area to increase controls over the network.

We also noted there is no current signed agreement or contract between the outside company and Authority which explains responsibilities for each party. An agreement or contract should be signed by both parties which explains each parties responsibilities and controls set-up by the outside company to help protect information from being lost, changed or stolen.

As a final note, we were informed the passwords used by employees for access into the network are not changed on an interim basis (every 3-6 months). We recommend an individual be made responsible for administering passwords for all employees. The passwords should be changed and issued on an interim basis by the responsible individual.

3. Receipting of Checks

The Authority receives various checks for services and tax collection. We noted the backs of the checks are not stamped "For Deposit Only Acct #" as soon as feasibly possible (when mail is opened). We suggest that the person opening the mail (administrative assistant) stamp the checks "For Deposit Only Acct. #", make copies of the checks, prepare the deposit slip, make the deposit and give copies of the checks and copy of deposit slip to the bookkeeper for posting to the general ledger. This helps in the controls of segregating duties of the bookkeeper.

4. Cost Recovery System

Currently there is only one person responsible for administering the cost recovery program. This individual does all billings, posts the collections and billings, maintains the receivable system and decides which bills should be written-off. We suggest these procedures be changed slightly to help segregate duties and create more controls by doing the following:

1. When payments are received, the administrative assistant should follow the same procedures as listed in #3 regarding the checks and also give copies of checks for posting to the receivable system to the responsible individual;
2. Quarterly reports be given to the Authority Board which provides a reconciliation for the period's activity (billings, collections, write-offs, accounts receivable balances). The reports should include a list of the accounts written-off for the Board to review;
 - If the Board feels it is appropriate, a policy should be approved which states when a receivable should be written off.

We feel the above changes would give the Board more oversight and increased controls.

5. Approved Check Signers

We noted when confirming information with the bank, the approved check signers included a previous board member. We also noted the person responsible for cost recovery was listed as well. We recommend that both these individuals be removed as approved check signers.

6. Review of Bank Statements

Currently the bookkeeper receives all bank statements directly from the bank and is the only person who reviews and reconciles the bank accounts. We suggest a separate individual outside of the accounting process also review bank statements and account reconciliations for more oversight in this area.

7. Investment Policy and Diversification of Banks

The Authority's investment policy has not been updated in several years. The Authority has all of its cash invested in one bank. Based on the current situation with the banking industry we suggest the Authority's investment policy be revised to include more than one (1) financial institution. We believe the Authority should diversify its investments to help with more FDIC insurance coverage.

8. Program Offered by Bank

In dealing with other audit clients we have found a program offered by some banks which offers some improved controls of disbursements (checks clearing the account). Each morning an individual from the Authority would receive an electronic file from the bank which lists all disbursements that are about to clear the Authority's bank account. This individual would review this list and stop any disbursements which appeared unreasonable. We suggest the Authority investigate this program and set-up procedures to act on it if the Authority believes it would be beneficial (benefits exceed the costs). We believe this added control would help ensure against fraudulent checks clearing its account.

Conclusion

Thank you for your assistance and hospitality toward our firm while conducting the audit of the Brighton Area Fire Authority.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Trustees and management of Brighton Area Fire Authority and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants